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United States General Accounting Office

GAO

Fact Sheet for the
Honorable Charles E. Bennett
House of Representatives

COMPLETED
23

March 1986

AVIATION SAFETY

FAA's Surveillance of Two Contract Military Carriers

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United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-222238

March 13, 1986

The Honorable Charles E. Bennett
House of Representatives

Dear Mr. Bennett:

The enclosed fact sheet provides information concerning the Federal Aviation Administration's (FAA's) oversight of two airlines involved in military charters--Flight Trails d/b/a Air Resorts and South Pacific Island Airways (SPIA). We developed this information as part of our ongoing evaluation of FAA's surveillance of the nation's air carriers, a review undertaken at the request of the Chairman, Subcommittee on Aviation, House Committee on Public Works and Transportation, and the Chairman, Subcommittee on Transportation, House Committee on Appropriations.

Because of your interest in the safety of aircraft being chartered by the Department of Defense's Military Airlift Command (MAC)--including safety concerns raised by the December 12, 1985, crash of an Arrow Air plane resulting in the deaths of all 248 U.S. military personnel on board--and your sponsorship of H.R. 4014, which addresses military charters, we briefed your office on FAA's oversight of the two carriers, both of which have chartered aircraft to MAC. We conducted that briefing on March 4, 1986. This report, pursuant to your request of March 6, 1986, formally transmits the information presented at that briefing.

The fact sheet provides a chronology of key events for each carrier, covering FAA's inspections of the carriers, actions taken by FAA against the carriers when in violation of federal regulations, and the carriers' responses to the problems identified by FAA. Most of this information comes directly from FAA documents, including correspondence between FAA and the carriers. We have added information that defines and explains where appropriate, or makes other clarifications. We have not included any information from interviews with officials of FAA, Air Resorts, or SPIA, nor have we included analysis of or opinions regarding these events. At your request, we did not solicit comments from FAA or the carriers involved. Our final report on our ongoing evaluation will, however, include our analysis as well as the views of the two carriers and of FAA.

B-222238

As arranged with your office, we are providing copies of this report at this time to the Chairman, Subcommittee on Aviation, House Committee on Public Works and Transportation, and to the Chairman, Subcommittee on Transportation, House Committee on Appropriations. Unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days after the date of this letter. At that time we will send copies to the Secretary, Department of Transportation; the Administrator, FAA; and the Chairman, National Transportation Safety Board. Copies will also be made available to other interested parties upon request.

If you have any questions or if we can be of any further assistance on this issue, please feel free to contact me at 275-7783.

Sincerely yours,

Charles A. Bowsher

for Herbert R. McLure
Associate Director

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ABBREVIATIONS

FAA	Federal Aviation Administration
FAR	federal aviation regulation
FSDO	Flight Standards District Office
GADO	General Aviation District Office
NATI	National Air Transportation Inspection
NTSB	National Transportation Safety Board
PMI	principal maintenance inspector
POI	principal operations inspector
SPIA	South Pacific Island Airways

SECTION 1

FLIGHT TRAILS d/b/a AIR RESORTS

Air Resorts, based in Carlsbad, California, is a charter air service that has operated some scheduled flights. It contracts with the Military Airlift Command (MAC) to transport Navy personnel from bases in California to naval facilities in the Channel Islands off the California coast. Air Resorts received its Part 121[1] operating certificate in 1981 and started service with three aircraft: 1 Convair and 2 DC-3's; by 1983 it had expanded its fleet to 16 propeller-driven aircraft; 14 Convair 240/340/440's and 2 DC-3's.

CHRONOLOGY OF EVENTS

September 1981-March 1986

September 16, 1981

Air Resorts is certified under Federal Aviation Regulations (FARs) Part 121 supplemental, which is used by airlines with no fixed schedule.

January 15, 1983

Air Resorts receives a Part 121 Domestic and Flag Certificate, which allows it to operate on a fixed schedule

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[1]Part 121 regulations generally apply to larger aircraft--those carrying over 30 passengers; Part 135 applies to smaller aircraft.

anywhere in the United States and between the United States and overseas destinations.

April 25-29, 1983

An air carrier maintenance inspector from FAA's Los Angeles Flight Standards District Office (FSDO) performs an inspection of Air Resorts, which reveals discrepancies in Air Resorts' basic documents and procedures.

The inspection finds that, as a result of Air Resorts' rapid growth, there was mass confusion in updating its operations specifications, manuals, organizational structure, policies, procedures, instructions, and records to comply with Part 121 regulations. The inspection report concludes that the owner is not familiar with Part 121 FARs and that many management changes have disrupted the operation.

The inspection report also concludes that some Air Resorts employees and FAA personnel assigned to Air Resorts are not well trained or experienced. In a letter to the San Diego FSDO (then called GADO--General Aviation District Office) manager, the acting manager of FAA's Western Pacific Region's Flight Standards Division notes that some of the deficiencies concern certification requirements such as operations specifications, personnel training, and adequacy of the general maintenance and weight and balance control manuals.

July 18-20, 1983

A follow-up FAA inspection notes that approximately 80 percent of the "needed and agreed-to changes" resulting from

the April inspections have been satisfactorily completed and that the remaining 20 percent were being addressed by the carrier.

October 1, 1983-March 1, 1984

In a 5-month period, 38 routine airworthiness (maintenance) inspections were performed by FAA. Of these, five were not marked as either satisfactory or unsatisfactory. An analysis of the remaining 33 shows that 32 of the inspections were satisfactory, while 1 was classified as unsatisfactory. Seven of the 38 inspections called for further action by the carrier.

March 1984

Air Resorts is inspected as part of the National Air Transportation Inspection (NATI) program, a special, in-depth FAA review of carriers operating under Parts 121 or 135 of the FARs. The inspection discovers serious discrepancies in maintenance manuals, maintenance procedures, and aircraft maintenance records. On the basis of this inspection, FAA's principal maintenance inspector (PMI) is demoted and reassigned.

April 1984

On the basis of the results of the first Air Resorts NATI inspection (NATI I), a second NATI team conducts a more in-depth inspection (NATI II). This inspection finds a number of problem areas with the carrier's operation, including airworthiness directives, minimum equipment lists, required inspection items, test equipment, operations specifications, parts inventory control, and adherence to maintenance manual procedures.

The 2 NATI inspection efforts encompass 26 individual inspections similar to the ones performed during the previous 5 months. Twenty-five of the 26 are found to be unsatisfactory and require further action by Air Resorts.

April 30, 1984

Because of the seriousness of the discrepancies found, the NATI team recommends that Air Resorts cease operations immediately.

May 1, 1984

Air Resorts tells FAA that it has voluntarily grounded its fleet. At the same time, however, it requests permission to continue to operate under its Navy contract with daily flights, using 4 of its 16 aircraft. The carrier states that it has thoroughly examined these four aircraft and guarantees that they would pass a safety inspection. FAA grants permission for Air Resorts to continue flying the military contract flights. Air Resorts carries 2,479 U.S. military personnel on one contract during the next 30 days.

May 2, 1984

FAA performs a spot maintenance inspection on one of the four aircraft operating under the Navy contract. The inspector finds improper cargo tie-downs.

May 5, 1984

The new PMI gives the Air Resorts chief inspector a master listing of FAA airworthiness directives for the Convair aircraft operated by Air Resorts. A master listing is necessary to determine an aircraft's compliance with airworthiness directives.

May 7, 1984

FAA performs a spot inspection of a second aircraft being operated under the Navy contract, finding a minor deficiency that is immediately corrected.

May 16, 1984

FAA inspects aircraft maintenance records for the remaining two operating aircraft; the inspector finds them to be incomplete.

June 1, 1984

During an inspection, the FAA inspector determines that one of the four aircraft being flown under Air Resorts' Navy contract is now in compliance with the airworthiness directives. He also finds that one of the four operating aircraft has 30 discrepancies in its component history card file, which limits the carrier's and FAA's ability to determine the airworthiness (mechanical and structural integrity) of the aircraft.

June 13, 1984

FAA officially informs Air Resorts that the discrepancies identified in the NATI inspection may be violations of FAA regulations and that FAA is initiating an investigation.

June 25, 1984

Air Resorts responds by letter, addressing each discrepancy and stating that corrections have been made.

July 1984

FAA district office officials hold discussions with Air Resorts officials and conclude that the carrier has made progress in correcting the deficiencies.

August 8, 1984

FAA completes the investigation begun in June, concluding that legal enforcement action for violations of the FARs is not warranted. FAA issues a Letter of Correction, an administrative action indicating that it has approved actual or planned corrective action and that no significant unsafe conditions existed.

December 16, 1984

An Air Resorts charter carrying 34 passengers, including members of the East Tennessee State University basketball team and a crew of 5, experiences an engine fire that forces an emergency landing at Jasper, Alabama. Upon landing, both right main gear tires explode and the pilot loses control, causing the plane to run off the runway and through a drainage ditch. The plane is completely consumed by fire. One person is seriously hurt; three others suffer minor injuries.

December 17, 1984

FAA and the National Transportation Safety Board (NTSB) commence an on-site investigation of the accident. The results raise serious questions concerning the airworthiness of the aircraft and the qualifications of the crew. NTSB later determines that the probable cause is engine failure, engine fire, and landing gear failure.

December 18, 1984

Air Resorts voluntarily grounds all of its aircraft.

December 21, 1984

FAA suspends Air Resorts' operating certificate as a result of its preliminary investigation of the December 16 accident.

December 22, 1984

FAA commences a special, in-depth investigation of Air Resorts to evaluate the carrier's compliance with regulations. Inspectors sent by the Western Pacific region find that a number of the discrepancies identified during the NATI inspection almost 8 months earlier are still present. These deficiencies address calibration of equipment, compliance with airworthiness directives, minimum equipment lists, required inspection items, and inadequate control of parts inventory.

January 3, 1985

FAA lifts its suspension of Air Resorts after 13 days.

May 15, 1985

FAA completes its review of the maintenance records of the destroyed aircraft. The Birmingham, Alabama, FSDO informs Air Resorts that it has found discrepancies in aircraft maintenance and record-keeping. The FSDO sends its investigation report to the counsel for FAA's Southern Region for legal action.

November 22, 1985

The FAA regional counsel notifies Air Resorts' director of maintenance that the Birmingham FSDO investigation report indicates that he intentionally falsified aircraft maintenance records on the destroyed aircraft and that FAA is considering revoking his mechanic's certificate.

December 2, 1985

The regional counsel informs Air Resorts that the investigation of the destroyed aircraft's maintenance records reveals that the carrier has violated 11 FAA regulations. The violations include operating aircraft in an unsafe condition, operating aircraft on numerous occasions without complying with airworthiness directives, operating aircraft without complying with the appropriate inspection requirements, and failing to maintain a listing of persons authorized to perform required inspection items. The regional counsel proposes a penalty of $30,000.

March 11, 1986

As of this date, both cases--the mechanic's certificate and the 11 violations--are still unresolved.

NOTE

Our review of FAA documents did not disclose any evidence of communication between FAA and the Military Airlift Command.

SECTION 2

SOUTH PACIFIC ISLAND AIRWAYS

South Pacific Island Airways (SPIA) is based in Honolulu, Hawaii. Until October 1984 SPIA operated as a scheduled commuter and charter service in American Samoa, Western Samoa, and other South Pacific islands. SPIA also held contracts with the U.S. military to transport personnel between bases on the United States mainland and Hawaii, Alaska, Japan, and Guam. Between May and September 1984, SPIA carried approximately 6,400 U.S. military passengers. Since January 1985 SPIA has operated on a limited basis only, mostly in Guam and American Samoa.

SPIA was initially certified by FAA to operate under Parts 121 and 135 of the FARs, in 1981 and 1973, respectively. Under Part 121, SPIA operated a fleet of four Boeing 707 jet aircraft. SPIA's fleet under Part 135 consisted of four propeller-driven de Havilland DHC-6 (Twin Otter) aircraft. FAA's Honolulu FSDO--part of its Western Pacific Region--is responsible for surveillance of SPIA.

CHRONOLOGY OF EVENTS
August 1983-May 1985

August 10-11, 1983

The FAA PMI performs a spot-check of SPIA's main base covering its Part 121 maintenance activities in Honolulu. He finds irregularities concerning maintenance procedures and records and

informs SPIA of these discrepancies in a detailed letter. SPIA is given 10 days to respond.

September 9, 1983

SPIA responds to the FAA letter, outlining corrective actions taken.

January 16-20, 1984

FAA's follow-up inspection identifies many of the same discrepancies noted in August 1983.

February 16, 1984

On the basis of continuing surveillance of SPIA's Part 121 operations, the FAA principal operations inspector (POI) sends a letter to SPIA outlining a number of discrepancies. The POI notes, among other deficiencies, an incomplete minimum equipment list, an incomplete Boeing 707 manual, and an unreliable ground power unit. He also notes that these problems are not recent and have been going on for many months.

March 1984

NATI inspectors examine SPIA's Part 121 and 135 activities. The FSDO recommends that SPIA undergo a second-stage, in-depth (NATI II) inspection.

March 23, 1984

Some of the same deficiencies cited in the February 16 letter are again cited in a letter from the POI to SPIA

concerning its Part 121 operation. The POI states that it is apparent that SPIA is unable to keep pace with required changes on a timely basis. He adds that SPIA's administrative practices should be reviewed and staffing increased.

April 30, 1984

The NATI II inspection is performed on SPIA, revealing numerous maintenance, operations, and training deficiencies.

May 10, 1984

Because of the seriousness of the discrepancies noted during the NATI II inspection [see May 17, 1984, entry below], the Honolulu FSDO recommends that SPIA's Part 121 certificate be suspended immediately.

May 17, 1984

FAA's Flight Standards Branch in its Western Pacific Region concurs with the Honolulu FSDO recommendation, stating that SPIA does not have acceptable maintenance, inspection, reliability, or continuing analysis/surveillance programs. It further states that, in the interest of safety, SPIA's Air Carrier Operating Certificate should be suspended immediately in the face of a large list of serious infractions of FAA regulations.

June 21, 1984

The FAA regional counsel issues a Notice of Proposed Certificate Action to suspend SPIA's Parts 121 and 135 certificates. As provided by section 609 of the Federal Aviation Act of

1958, the Notice allows SPIA to answer the charges and state why the certificate should not be suspended.

June 29, 1984

SPIA requests that an informal conference be held in late July to discuss FAA's proposed action. The July hearing is postponed, however, after the carrier's president is seriously injured in a marine accident.

July 21, 1984

A SPIA aircraft operating under Part 135 regulations crashes in American Samoa, killing one person. An FAA accident investigation determines that the accident was caused by a break in a rusty elevator cable.

July 31, 1984

SPIA flies a Part 121 charter flight over the polar route from Anchorage, Alaska, to Amsterdam, the Netherlands. The flight carries United Nations peacekeeping forces on their way to Lebanon. The flight violated SPIA's FAA-approved operating specifications; it was operated without appropriate navigational procedures and training for such flights. [FAA did not discover this violation until October 1984.]

August 24, 1984

FAA holds the informal conference with SPIA to discuss issues involved in FAA's Notice of Proposed Certificate Action of June 21. SPIA voices its contention that, with the exception of

two or three items, no violations of federal regulations occurred and that the two or three violations were corrected. A major issue at the hearing is SPIA's engine reliability program for its Boeing 707 fleet. American Airlines had monitored SPIA's engine reliability program but SPIA cancelled this service. SPIA states that although it formally cancelled American's support services, the engine reliability program continues to exist on an informal basis. FAA later determines, however, that SPIA does not have an informal engine reliability program.

August 28, 1984

SPIA flies a second polar charter from Anchorage, Alaska, to Amsterdam, again found by FAA in October to be operated without appropriate navigational procedures and training. This flight also carries U.N. peacekeeping forces.

September 5-9, 1984

FAA intensifies its inspection of SPIA's Part 135 commuter operation in American Samoa as a follow-up to maintenance discrepancies identified both in the NATI report and in FAA's June 1984 Notice of Proposed Certificate Action. FAA finds additional discrepancies, including improper and erroneous record-keeping.

September 14-19, 1984

FAA inspects SPIA's station at Guam to follow up on previously identified deficiencies. New problems are uncovered.

September 19, 1984

FAA recommends that SPIA's four de Havilland DHC-6 (Twin Otter) aircraft be suspended from use for 30 days on the basis of unsatisfactory findings by FAA's maintenance inspector.

September 24, 1984

FAA informs SPIA by letter that SPIA's maintenance personnel at the Guam facility are not following SPIA's maintenance manual or adhering to procedures and instructions.

September 24-28, 1984

FAA conducts a follow-up inspection in Guam to obtain additional evidence on the September 14-19 findings.

September 25, 1984

SPIA flies a third charter from Alaska to Amsterdam, again carrying U.N. peacekeeping forces. As with the two prior polar flights, FAA found in October that this flight was operated without appropriate navigational procedures and training.

September 28, 1984

On the basis of the August 24 conference and other inspections, FAA issues an Order of Suspension of SPIA's Part 121 and 135 certificates for 30 days, grounding the carrier. SPIA appeals the Order and continues to operate. (Section 609 of the Federal Aviation Act of 1958 allows certificate-holders to appeal any FAA order to the National Transportation Safety Board.)

September 29, 1984

A SPIA charter flight carrying approximately 200 U.N. peacekeeping forces nearly penetrates Soviet airspace. The flight, again following a polar route from Anchorage to Amsterdam, the Netherlands, strays from its intended flight path. It is heading toward Soviet airspace--only 50 miles away--when Norwegian Air Force jets and a Norwegian ground controller divert the SPIA aircraft from Soviet airspace. As with the three earlier polar flights, FAA found in October that this one violated SPIA's operating specifications, being operated without appropriate navigational procedures and training for such flights.

October 2, 1984

FAA informs SPIA that some discrepancies noted in NATI operations inspections at SPIA facilities at Guam and American Samoa remain uncorrected; FAA gives the carrier 13 days in which to complete necessary corrections or revisions.

October 7, 1984

The Norwegian government notifies FAA of SPIA's September 29 flight. SPIA had not reported the incident to the FAA, as it was required to do.

October 8-13, 1984

FAA investigates the September 29 flight and discovers the other three flights that were made in violation of operating specifications.

October 12, 1984

FAA issues an Emergency Order revoking both SPIA's Part 121 and Part 135 operating certificate on the basis of SPIA's continuing noncompliance with federal regulations.

October 15, 1984

SPIA files a petition with the 9th Circuit Court of Appeals for a stay of the emergency provision of the revocation order.

October 16, 1984

SPIA appeals the Emergency Order of Revocation to the NTSB. The Court delays the emergency revocation for 7 days so that SPIA can operate while the revocation is being deliberated.

October 18, 1984

FAA amends the Emergency Order and charges SPIA with numerous additional maintenance and operation violations associated with its Part 135 operation.

October 22, 1984

The Revocation Order becomes effective, following the 9th Circuit Court's decision to remove the stay.

November 12, 1984

An NTSB administrative law judge affirms the Emergency Order of Revocation.

November 13, 1984

SPIA files for a new air carrier certificate.

November 28, 1984

The counsel for FAA's Western Pacific Region recommends against SPIA's recertification "as long as any member of the present management is associated" with the carrier. He cites "over 300 violations in the Emergency Order of Revocation, as amended," and the fact that SPIA's president "made false statements to the FAA concerning the Boeing 707 engine reliability program and deliberately tried to mislead the agency."

December 10, 1984

FAA sends a team of inspectors from the Western Pacific Region to the carrier's offices in Honolulu. FAA's recertification effort for SPIA's Part 121 operation takes about 660 inspector work hours and costs $7,173 in travel funds. The team finds that most of SPIA's previously accepted or approved (by the Honolulu FSDO) materials do not meet Part 121 certification requirements without extensive revision.

December 1984-January 1985

SPIA revises its documents to meet FAA regulations and reorganizes its management structure.

January 29, 1985

FAA issues SPIA's operating certificate under Part 121 regulations.

January-March 1985

FAA reviews SPIA's Part 135 operation at an approximate cost of $6,400 in travel funds and utilizing approximately 500 inspector work hours.

March 25, 1985

FAA approves SPIA's specifications to operate under Part 135 regulations.

May 29, 1985

FAA effectively grounds SPIA's Part 121 fleet by denying SPIA's noise exemption request for the Part 121 operation. FAA finds that SPIA has not demonstrated good faith in its compliance effort concerning its acquisition of noise "hush kits."

NOTE

Our review of FAA documents did not disclose any evidence of cummunication between FAA and the Military Airlift Command.

As of early 1986, SPIA was operating two aircraft under its Part 135 certificate, one in American Samoa and one in Guam.

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